Franchise Tax Board

ANALYSIS OF ORIGINAL BILL

Author:	Negrete, McLeod, et al.	Analyst:	Kristina E. North	Bill Number:	AB 190
Related Bills:	None	Telephone:	845-6978	Introduced Date:	January 26, 2005
		Attorney:	Patrick Kusiak	Sponsor:	

SUBJECT: California Sexual Violence Victim Services Fund

SUMMARY

This bill would establish the California Sexual Violence Victim Services Fund for taxpayer contribution designation on the personal income tax return.

PURPOSE OF THE BILL

According to the author's office, the intent of this bill is to provide additional funding for the California Coalition Against Sexual Assault rape crisis center programs.

EFFECTIVE/OPERATIVE DATE

This bill would become effective January 1, 2006, and would apply to tax returns filed on or after that date.

POSITION

Pending.

ANALYSIS

FEDERAL/STATE LAW

Current federal tax law provides a true checkoff to direct $3 of a taxpayer's tax liability to the presidential election fund. Designation of the $3 amount does not affect a taxpayer's tax liability or refund amount.

Current state tax law allows taxpayers to make contributions of their own funds, not tax liability, on their tax returns to the 13 voluntary contribution funds listed on the state tax return. Each fund provides for the reimbursement of the Franchise Tax Board's (FTB's) and the Controller's actual costs to administer the fund.

Except for the California Seniors Special Fund, which has no sunset date, the voluntary contribution funds have various sunset dates. The attachment shows the specific sunset dates for each voluntary contribution fund and indicates those funds that must meet a minimum contribution test to remain on the return. The initial minimum contribution amount is $250,000, which is indexed annually for each fund.

Board Position:			Department Director	Date
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THIS BILL

This bill would fund programs and services of the California Coalition Against Sexual Assault by creating a voluntary contribution designation on the state income tax return.

This bill would establish the California Sexual Violence Victim Services Fund and would allow taxpayers to designate their own funds, not tax liability, for contribution to the fund on their tax returns in full dollar amounts of $1 or more. Each signatory on a joint return may make the contributions individually. The designations for any taxable year must be made on the initial return for the taxable year and, once made, are irrevocable.

This bill would require FTB to revise the personal income tax return to include a designation space for the fund beginning with the first taxable year another voluntary contribution fund is removed.

Beginning after the second taxable year, this bill would require the fund to meet the $250,000 minimum contribution test. FTB is required to estimate by September 1 of the calendar year after the first taxable year the fund appears on tax returns whether contributions made under this bill will be less than $250,000, as indexed for inflation. The law authorizing designations for this fund would be repealed if contributions made under this bill will be less than the minimum contribution amount.

This bill would allow the voluntary contribution designation to remain on the tax return for five years unless a later enacted statute deletes or extends that date.

This bill would specify that if payments and credits reported on the return do not exceed the taxpayer's liability, then the taxpayer’s return shall be treated as if no designation has been made. If no designee were specified, a designated contribution amount would be transferred to the General Fund.

This bill would require the Controller to transfer money designated for this fund by taxpayers from the Personal Income Tax Fund to the California Sexual Violence Victim Services Fund. Upon appropriation by the Legislature, the moneys from this fund must be allocated to: 1) FTB and the Controller for reimbursement of costs incurred in administering this fund, and 2) the Office of Emergency Services for allocation to California Coalition Against Sexual Assault.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would require some changes to existing tax forms and instructions and information systems, which could be accomplished during the normal annual update.

TECHNICAL CONSIDERATION

On page 2, line 25, after “SEC. 2.,” the phrase “The heading of” is not necessary. The author may wish to consider removing the phrase.

PROGRAM BACKGROUND

Thirteen voluntary contribution funds appeared on the 2004 California personal income tax returns. Total contributions to these funds have varied from approximately $3.4 million in 1989/1990 to approximately $4 million in 2003/2004. The number of individuals contributing (first tabulated in 1993) remains fairly constant at approximately 140,000, or slightly less than 1% of all taxpayers.

OTHER STATES' INFORMATION

Illinois, Massachusetts, Michigan, Minnesota, and *New York* allow for taxpayer contribution designations on the personal income tax returns. *Florida* does not have a personal income tax but allows contribution designations on the state's motor vehicle registration and renewal forms. None of these states provide a voluntary contribution comparable to the one proposed by this bill.

Oregon allows a taxpayer contribution designation on the state income tax return to help fund comparable programs through the Oregon Coalition Against Domestic and Sexual Violence.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

<u>Revenue Estimate</u>

Assuming that the minimum level of contributions ($250,000) is achieved each year this fund is on the return, that the fund is placed on the 2005 tax return, and that an itemized deduction is allowed and claimed for each contribution, potential revenue losses would be very minor. The revenue loss would be on the order of $15,000 annually beginning with the taxable year the itemized deduction is claimed on the tax return (2006/2007 FY). The loss would be attributable to itemized deductions claimed for the contributions in the taxable year following the contributions.

Revenue Impact * ($)			
Fiscal Year	2005/2006	2006/2007	2007/2008
Revenue Loss	$0	-$15,000	-$15,000

*This estimate has been rounded.

Any possible changes in employment, personal income, or gross state product that might result from this measure are not taken into account.

<u>Revenue Discussion</u>

According to departmental data, the total amount of existing voluntary contributions to all funds was approximately $4 million for fiscal year 2003/2004, with an average of $280,000 per individual designated fund.

Assuming contributions equal or exceed the minimum contribution threshold and all contributors itemize deductions, the annual revenue loss would be on the order of $15,000 by applying an average marginal tax rate of 6% ($250,000 x 6% = $15,000).

POLICY CONCERNS

The placement of voluntary contributions on the tax return limits the amount of space available for tax-related items. The inclusion of non-tax related information could ultimately cause the tax form to become three pages, which is unprecedented among other states and the Internal Revenue Service. A three-page return also would cause the department to incur significant costs for printing, handling, and storage.

LEGISLATIVE STAFF CONTACT

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